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SUBJECT: NORINCO CLAIMS TO BE FORGOING SALES TO IRAN

REF: 72 FED REG 13550 (3/22/07)

Classified By: Deputy Chief of Mission David S. Sedney. Reasons 1.4 (b /d).

11. (C) Summary: The United States decision to permanently waive missile proliferation sanctions against NORINCO (reftel) confirmed for company officials that they had made the right decision to forgo sales to Iran, China Arms Control and Disarmament Association Secretary General Li Genxin told Poloff recently. According to Li, who advises NORINCO, the decision helped quell internal dissent by a NORINCO employee responsible for sales to Iran that was "causing lots of trouble" for NORINCO. NORINCO officials are seeking meetings with emboffs. End Summary.

12. (C) NORINCO officials were very pleased with the United States' decision to waive permanently the missile sanctions against NORINCO, which confirmed for the firm that it had made the right decision to forgo sales to Iran, China Arms Control and Disarmament Association (CACDA) Secretary General Li Genxin told Poloff at a meeting (that Li, who advises NORINCO, requested). Li said the firm wondered why the Federal Register notice announcing the waiver did not mention that the decision was based on actions that NORINCO was taking, such as implementing an internal compliance program. Mentioning this in the Federal Register would have greatly encouraged NORINCO to continue pushing forward with its internal reforms, Li maintained.

13. (C) Li claimed that NORINCO has now quelled internal dissent about the firm's decision to forgo sales to Iran. According to Li, a NORINCO employee responsible for the firm's sales to Iran, angry to see his bonuses disappearing, was "causing lots of trouble" for NORINCO. Li did not provide details, saying only that NORINCO's president stepped in and reaffirmed the company's strategy of forgoing sales to Iran.

14. (C) Li told us that NORINCO officials would like to brief emboffs on the steps the company has taken to implement its internal compliance program. When asked if the firm still operates an office in Iran, Li said he was not certain, but he thought that the office was either closed or would be closed in the future. NORINCO employees could respond to such questions, Li said, if a meeting between emboffs and NORINCO officials could be arranged. He noted as well that NORINCO officials could provide emboffs with the dollar amount of sales the firm has forgone in Iran.

15. (C) Li told Poloff that the decision to permanently waive NORINCO's sanctions has emboldened CACDA to press forward with its export control initiatives. According to Li, CACDA is planning "extremely large" export control outreach programs aimed at Chinese firms and will dispatch its deputy director to the Monterrey Institute for a two-month export control training program this summer.

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